

Special Education 2006-07 May Revision

LEGISLATIVE ANALYST'S OFFICE

Presented To:





Proposed Base Funding Adjustments

- ☒ **General Fund Base Budget.** The projected enrollment declines in 2005-06 and 2006-07 have eliminated funding shortfalls we identified in the Governor's Budget. We recommend approval.
- ☒ **Redirect "One Time" Grants to Base Program.** The May Revision reflects a \$13.6 million reduction in federal funding for special education. In addition, no funds are proposed for 2006-07 COLA on the federal portion of the program. Combined this is \$63.7 million less. The budget continues \$52.6 million in "one-time" grants created by excess federal funds in 2005-06. Because these one-time grants were created with excess federal funds, we recommend redirecting these one-time grants to partially meet the gap in federal funds.
- ☒ **Fully Meet Federal COLA.** To maintain the integrity of the AB 602 funding model, we believe that the state should make every effort to fund a full COLA on both the state and federal portion on the special education budget. We recommend adding \$11.1 million in Proposition 98 funding on top of the recommendation above to achieve this goal.
- ☒ **Fund Source Adjustment.** Adds \$1.9 million in General Fund (non-proposition 98) support for Family Empowerment Centers (\$934,000) and State Special School Transportation (\$963,000). These programs currently are supported with federal funds. We recommend approval.
- ☒ **Youth Authority Monitoring.** Eliminates \$303,000 in federal funds for monitoring services for special education students in the California Youth Authority. Recommend restoring \$150,000 from the General Fund (about \$130,000 in federal carryover funds also would be available).



Mental Health Services for Special Education Students



The Proposal

- Suspends the AB 3632 mandate for two years and create a new categorical program that would be jointly planned by local Special Education Local Plan Areas (SELPA) and county mental health agencies (CMHs) and administered by CMHs.
- Appropriates \$138 million for the categorical program, funded with \$69 million in federal special education funds matched by \$69 million in General Fund support provided to CMHs. Costs in excess of this total would be paid by SELPAs. We estimate budget-year costs of the mandate at about \$172 million.
- Many details of the proposal have yet to be clarified. For instance, questions remain about the administration's assumptions on savings generated by the new program, the distribution of funds to counties, and what types of data on program quality and effectiveness will be shared between local education and mental health agencies.



LAO Recommendations

We think the approach has merit, and the Legislature should adopt the general approach of the proposal. We also recommend:

- Delaying implementation of the new program until January 2007 to give SELPAs and CMHs time to plan. We also recommend adding \$24 million from the General Fund for CMHs to pay for the half-year cost of the existing mandate in 2006-07.
- Adding \$30 million to the special education budget to ensure that SELPAs have sufficient funds to pay for any "excess" mental health costs above the amount provided for the new program.
- Giving the program more time to operate before any assessment of the reform. Two years is not sufficient time to evaluate the impacts of the new program. In addition, school and mental health agencies may not be willing to make the full commitment needed to implement the complex changes involved if the suspension is only for two years.



Special Education Equalization, LAO Proposal, 2006-07



Data from 2000-04 show that the number of students assessed with “high cost” disabilities has grown significantly. This data suggests that state funding has not kept pace with local costs.

Special Education Enrollment and Cost Data Cost Data From the 2003 AIR Report

Disability Category	Number of Students		Average Estimated Cost Per Student ^a 2002-03
	2004-05	Increase From 2000-01	
Specific learning disability	328,381	-5.9%	\$4,064
Speech-language impairment	176,265	6.5	5,500
Mental retardation	44,263	8.7	10,727
Other health impairment	35,650	69.6	6,062
Autism	29,370	109.2	29,735
Emotional disturbance	27,912	24.9	11,587
Orthopedic impairment	15,321	5.1	17,251
Other	24,807	8.0	19,888
All special education	681,969	4.8	7,241
All K-12 students	6,322,098	4.5	n/a

^a Additional special education costs net of revenue limit funding.



Special Education Equalization

- ☑ Special education funding also has large disparities in the per-pupil amount provided to SELPAs. Most SELPAs receive between \$550 to \$560 per pupil. A significant number of SELPAs receive much higher per-pupil amounts, however.
- ☑ For these reasons, we recommend adding \$150 million in Proposition 98 funds for special education equalization.

